

Mortgage Insurance for Disaster Victims (Section 203(h))

Federal mortgage insurance for victims of a major disaster who have lost their homes and are in the process of rebuilding or buying another home.

Nature of Program: This program helps victims in presidentially-designated major disaster areas recover by making it easier for them to obtain mortgage loans and become homeowners or reestablish themselves as homeowners. The program provides mortgage insurance to protect lenders against the risk of default on loans to qualified disaster victims. Individuals are eligible for this program if their homes are located in an area that was designated by the President as a major disaster area and were destroyed or damaged to such an extent that reconstruction or replacement is necessary. Insured loans may be used to finance the purchase or reconstruction of a one-family home that will be the principal residence of the homeowner. This program resembles the Section 203(b) program (Mortgage Insurance for One- to Four-Family Homes), FHA's basic mortgage insurance program.

Section 203(h) offers features that make homeownership easier. For example, no downpayment is required. The borrower is eligible for 100 percent financing. Closing costs and prepaid expenses must be paid by the borrower in cash or paid through premium pricing by the seller, subject to a limitation on seller concessions. Lenders collect from the borrowers an up-front insurance premium (which may be financed) at the time of purchase, as well as monthly premiums that are not financed, but are added to the regular mortgage payment.

Applicant Eligibility: Any person whose home has been destroyed or severely damaged in a presidentially declared major disaster area is eligible to apply for mortgage insurance under this program, even if they were renting the property. The borrower's application for mortgage insurance must be submitted to an FHA-approved lending institution within one year of the President's declaration of the disaster.

Legal Authority: Section 203(h) of the National Housing Act (12 U.S.C. 1709(h)). Regulations are at 24 CFR part 203.

Administering Office: Assistant Secretary for Housing-Federal Housing Commissioner, U.S. Department of Housing and Urban Development, Washington, DC 20410.

Information Sources: Administering office and HUD field offices.

On the Web:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/ins/203h-dft

Current Status: Active.